

# **claire's** stores

**Gene Kahn**  
Chief Executive Officer

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Honorable Bobby Rush  
Chairman  
Subcommittee on Commerce, Trade, and Consumer Protection  
House Energy and Commerce Committee  
2125 Rayburn Building  
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of Claire's Stores, Inc. ("Claire's"), I am submitting this letter in response to the August 22, 2007 correspondence addressed to me as Chief Executive Officer of Claire's from your Subcommittee.

We strongly support the efforts of the Subcommittee to address the problem of children's products containing lead exceeding lawful safety standards. Preliminarily, we want to assure the Subcommittee that Claire's has been taking steps for many years to ensure that children's products meet existing safety standards. The safety of our products and the health and well-being of our customers are our paramount concerns.

## **Claire's**

Claire's has been at the forefront of jewelry retailers in developing responsible, appropriate standards and protocols to protect children from the potentially harmful effects of lead exceeding lawful safety standards. To this end, since 1999 we have been taking steps to address the levels of lead in children's jewelry and have been steadily upgrading our safety and compliance programs. Our 18,000 employees (approximately 12,000 of whom work in the United States) support and are committed to our ongoing efforts to protect children.

Claire's has been selling costume jewelry and accessories in Company-owned and operated stores for more than 30 years. Since the 1990's our focus has been on girls and young women, ages seven to seventeen, with a small offering of jewelry, accessories and other novelties to children six years of age and under. Although sales from our "Claire's Club" children's jewelry line (products marketed for use by and packaged as appropriate for children six and under) constituted less than one percent of our total sales in our last fiscal year, Claire's has been an advocate of the development of a Federal standard governing children's metal jewelry to assure that children are protected from lead exceeding lawful safety standards. A Federal standard also is the only feasible means by which a global retailer such as Claire's, which has over 2,100 stores dispersed across each of the 50 states and Puerto Rico, as well as the rest of the world, can conduct business at all.



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We worked closely with highly respected toxicologists and the California legislature for approximately two years on the development of California Assembly Bill No. 1681, which was adopted on September 22, 2006 and made part of the California Health and Safety Code (hereafter “AB 1681”). We believe that AB 1681 is a significant piece of legislation that defines children in a clear and objective manner as individuals six and younger. This legislation also provided that on and after September 1, 2007, children’s jewelry shall be made entirely from metallic materials that are either class 1 materials (stainless or surgical steel, karat gold, sterling silver or “platinum group metals”) or contain less than .06 percent (600 parts per million) lead by weight. This is similar to the 600 ppm benchmark described in the Consumer Product Safety Commission (hereafter “CPSC”) Interim Enforcement Policy for Children’s Metal Jewelry Containing Lead (February 3, 2005). The California legislation also specifies testing methods and protocols for determining compliance with the legislation.

Since the adoption of AB 1681, Claire’s has instituted measures to comply with this legislation and is doing so with respect to all of its jewelry on a global basis (regardless of the targeted age of the customer). More recently, in August 2007 Claire’s appeared at a CPSC meeting to lend further support to the adoption of a Federal standard modeled on AB 1681.

### **The March Recall**

While we understand and appreciate the Subcommittee’s interest in obtaining additional information regarding the March 2007 recall as part of its efforts to address a critical health and safety issue for children, we believe that it is important for the Subcommittee to be aware of the following facts:

(i) the jewelry involved in the March 2007 recall was not part of our “Claire’s Club” jewelry line and, therefore, did not involve products marketed for use by and packaged as appropriate for children six and under;

(ii) the jewelry was manufactured and shipped to our stores before the effective date of the applicable provisions of AB 1681, and accordingly was not subject to the testing protocols we now have in place with respect to every style of jewelry that will be manufactured and sold in our stores. Under Claire’s current procedures, the seven necklace styles would have been rejected by us, or never produced, and would never have been sold to our customers;

(iii) due to Claire’s prompt action, approximately 22,000 pieces were removed from our stores and destroyed. In other words, nearly 40% of the noncompliant pieces, or 36,000 pieces, were never sold; and

(iv) in our last fiscal year, we sold approximately 129 million pieces of jewelry. The 36,000 noncompliant pieces represent only 0.03 percent of our unit sales, which we believe demonstrates the strength of our ongoing commitment to compliance.

### **Responses to the Information Requests**

Since the adoption of AB 1681, Claire's has instituted a variety of measures to comply with that legislation on a global basis. Our responses to the Subcommittee's questions speak to our current practices with respect to our jewelry products.

For convenience in considering our replies, each of the eight information requests has been reproduced below.

**1. In addition to the approximately 58,000 pieces of jewelry recalled by the CPSC in March, please provide detailed information on any other children's jewelry products imported by your company with lead paint or lead content that exceeds lawful safety standards.**

Response: Claire's has extensive policies and procedures in place that apply to all of our jewelry (regardless of age focus or geographic placement) and to the best of our knowledge there are no imported children's jewelry products available in Claire's stores that contain either lead or lead paint exceeding CPSC guidelines or AB 1681 lawful safety standards.

**2. Please provide information detailing the level of lead in the recalled jewelry and any other products, if available.**

Response: The recalled jewelry consisted of seven necklace styles; however those seven styles were constructed from 33 individual components. Tests conducted in accordance with the CPSC's Standard Operating Procedure for Determining Lead and Its Availability in Children's Metal Jewelry (February 3, 2005) at an independent accredited lab showed that 12 of those components contained excessive lead at varying levels.

**3. Please provide the name and location of the company and facility in China that manufactured the children's necklaces.**

**CONFIDENTIALITY REQUESTED**

4. Are there provisions in your agreements with the Chinese or other manufacturers banning the use of lead and lead paint or limiting its use to lawful safety standards in the manufacture of the products your company imports?

## **CONFIDENTIALITY REQUESTED**

5. What steps does your company take to test and inspect imported jewelry or other children's products before they are sent to retail outlets in the United States to ensure compliance with lead content safety standards?

## **CONFIDENTIALITY REQUESTED**

6. How and when did your company discover the lead in the imported jewelry that led to the recall announcement by the CPSC on March 15, 2007? When did you first contact the CPSC about the children's necklaces?

Response: We first became aware of a potential problem involving one jewelry style when we were contacted by Health Canada on December 22, 2006. Over the next several days, we obtained samples of the style in question, researched our purchase orders, questioned our buyers and conferred with representatives of Shun Sang Metal, our supplier, about the production of this jewelry style to determine whether other jewelry styles delivered by the same supplier might also contain excessive levels of lead. We promptly concluded

that seven jewelry styles from the same supplier might potentially contain excessive levels of lead.

On December 28, 2006, Claire's voluntarily notified the CPSC of the possible presence of excessive lead in the seven jewelry styles produced by the Bei Yei factory. In early January 2007, we requested that an independent accredited lab test samples of the seven jewelry styles pursuant to the CPSC testing methodology. We received the test results in mid-January and immediately communicated them to the CPSC.

**7. Please provide details of the recall action undertaken by your company, including steps to inform retailers and consumers of the recall because of the lead hazard posed by the children's necklaces. Did you provide information in a language other than English? Did you take any specific steps to provide information to your retail partners located in underserved communities?**

Response: On December 29, 2006, we sent the first of several notifications to our store personnel instructing them to remove the seven jewelry styles from the selling floor. By January 11, 2007, before we even obtained results from the independent lab, we had completely removed the seven jewelry styles from our stores and destroyed them. As a result, approximately 22,000 pieces, or approximately 40 percent, of the 58,000 pieces subject to the recall were never sold to customers. The actual number of the seven styles sold was approximately 36,000.

Beginning in January, we worked closely with the CPSC to develop and complete the materials, including the CPSC-issued press release, needed to carry out the recall according to CPSC protocol. Our activities consisted of the following:

- Working with the CPSC to complete a press release announcing the recall, which was reported on national and local news programs.
- Posting a recall notification on our consumer website [www.claire.com](http://www.claire.com) in accordance with the CPSC's Office of Compliance Web Site Notification Guidelines.
- Establishing a dedicated toll-free telephone number for consumers to call concerning the voluntary recall. This number was staffed by two Claire's associates during normal business hours (9:00 a.m. to 5:00 p.m. EDT), and a recorded message was played after hours.
- Creating point-of-sale signs (English only) and distributing two signs to each of our 1,663 Claire's stores in North America. The signs were accompanied by a memorandum prepared by us and approved by the CPSC instructing store personnel where to place the signs and how to handle returns.

- Ensuring our Territorial Vice Presidents, Regional Sales Managers, and District Sales Managers followed up with our store based employees to confirm that the signs were properly displayed in the specified locations in every store and that all store based employees fully understood how to handle items returned in connection with the recall.
- Monitoring compliance by our Regional Sales Managers that the recalled products had been destroyed by obtaining confirmation from each District Sales Manager who worked directly with the store level manager.

Please note that our products in the U.S. are sold only in stores owned and operated by us. Accordingly, we have no retail partners in the U.S.

**8. Please provide details on the consumer response to the recall since the recall announcement, including how many pieces of jewelry have been returned for a replacement product, and the number and nature of consumer inquiries that your company has received.**

Response: Claire's received approximately 53 consumer inquiries related to the recall. Of those, 27 were made after consumers heard about the recall on television, 10 were made after seeing Claire's in-store signage, 7 were made after consumers accessed the information on our website, 2 were made after seeing magazine coverage of the recall, and 7 consumers did not respond to our questions seeking to learn how they became aware of the recall. Fourteen units in total were returned.

### **Conclusion**

We appreciate the Subcommittee's efforts to ensure that children's products meet existing safety standards. We want to reiterate that the jewelry involved in the recall was not part of our "Claire's Club" jewelry line and, therefore, did not involve products marketed for use by and packaged as appropriate for children six and under.

While the Subcommittee's inquiry is focused on the problem of children's products containing lead exceeding lawful safety standards, Claire's has implemented procedures to ensure that all of its jewelry styles (regardless of age focus) meet existing standards. We assure you that Claire's employees, many of whom are parents themselves and each of whom places the health and well-being of children above all else, have an ongoing commitment to sell safe products.

Claire's believes that children worldwide would be best served by the adoption of Federal legislation modeled after AB 1681 so that parents will know that children's jewelry sold in the United States meets a carefully developed standard focused on one thing: keeping our children safe.

Respectfully,

  
Gene Kahn  
Chief Executive Officer